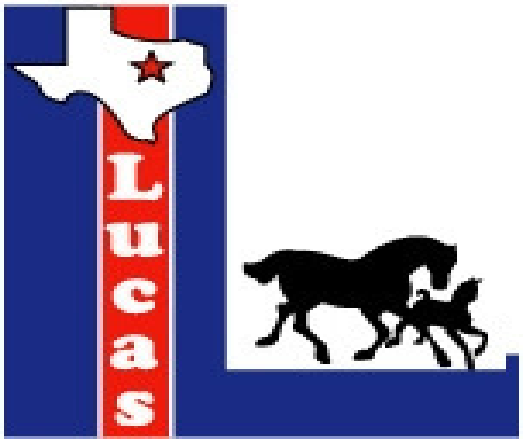
City of Lucas, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2015


Lucas

City of Lucas, Texas

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INTRODUCTORY SECTION

Lucas

City of Lucas
665 Country Club Road
Lucas, Texas 75002
972.727.8999
www.lucastexas.us

March 8, 2016

The Honorable Mayor, Councilmembers,
And Citizens of the City of Lucas, Texas:

It is our pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Lucas, Texas for the fiscal year ended September 30, 2015. Responsibility for both the accuracy and completeness of the presented data and the creation of transparency between the local government and the community in which it serves rests with the City.

The goal of the independent audit, conducted by BrooksCardiel, PLLC, is to provide reasonable assurance that the financial statements of the City for fiscal year ended September 30, 2015 were free of material misstatement. The independent auditor's report is located in the beginning of the financial section of the CAFR and we are pleased to report the issuance of an unmodified ("clean") opinion on the City of Lucas' financial statements for the year ended September 30, 2015.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

Our City

The City of Lucas was incorporated in February 1959 and adopted its Home-Rule Charter on May 15, 2008. The City of Lucas operates under the Council-Manager form of government. The City Council is the legislative body of the City government, and it is composed of seven members, including the Mayor and six councilmembers elected at-large and is responsible for enacting local legislation, adopting the annual budget and serving as policy-makers. The City Council appoints a City Manager who serves as the chief executive officer of the City and is responsible for the City's proper administration and daily operations including the implementation of the policies adopted by the City Council.

The citizens of Lucas enjoy a unique quality of life that incorporates a rural lifestyle, family-friendly atmosphere and natural beauty which is preserved through zoning that requires homes to be built on 1, 1.5 or 2 acre lot minimums.

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Our Economy

With an estimated population 6,800, the population of Lucas is expected to grow steadily as people leave the more urban areas of the metroplex, and seek the higher quality of life that Lucas offers its residents. Most Lucas residents work outside of the Lucas city limits, and commute within the Dallas area.

Lucas enjoys a stable economy and has benefited from a robust economy in the Metropolitan area. The creation/further expansion of commercial development within the corporate city of Lucas should cause sales tax revenues to increase within the next few years.

Given Lucas' convenient location, proximity to higher population density areas, and the high quality of home sites available, the City continues to prosper economically. Highlights include:

- 126 new homes were permitted annually with an average taxable market value of $454,000.
- Opening of commercial businesses: Wendy's and Starbucks.
- Completion of $2.8 million Fire Station Expansion Project.
- Completion of a 2,100 square foot Community Center for public use. The building contains two rooms, bathrooms, and a small kitchen area.
- Approximately 2,000 old meter registers were replaced with a new RG3 Telsa 4 register.
- Asphalt resurfacing was completed late September for Graham Lane, Estelle Lane, Wendy Lane, Christian Lane, Lakeview Drive, and Forest Grove Road.
- Completion of 12-inch Water Lines at Stinson Road and Rock Ridge Road.

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Our Future

At the end of September 2015, the City of Lucas is working on these projects:

- Design for Rock Ridge Water Line Phase Two is near completion. Survey and engineer improvements were needed between Rock Ridge Phase One and the existing eight inch water line located at the Lovejoy High School Site.

- Design for Parker Road Water Line Phase One is thirty percent complete. The project limits are from Stinson Road to Southview Drive.

- Neighborhood Connector Street Project – The city has prioritized five streets in need of improvements: Blondy Jhune, Winningkoff, Snider, Forest Grove, and Stinson. The highest priority was given to the east and west bridges on Blondy Jhune Road and the reverse curve on Winningkoff Road. Certificates of Obligation for $2 million was issued June 15, 2015 to help fund this project. There are currently four consulting engineering firms focused on design efforts and obtaining cost estimates for the project. Updated design and costs should be available late January to early February 2016 for the bridges at Blondy Jhune Road.

- Redesign of the City Website is projected to be completed early 2016.

New City events occurring early December 2015 included the first annual Lucas Country Christmas, which included a tree lighting and activities for families, and a Service Tree Dedication program where four beautiful trees including plaques where dedicated to four outstanding citizens of Lucas.

Our Financial Standards

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility, and other proprietary activities are maintained on the accrual basis.

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Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. In compliance with GASB 54, the City's financial practice requires a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The current reserve in the general fund is at 19 months with funds equaling 154% of this year's budgeted expenditures. The City also maintains a reserve of 6 months of working capital, which equates to 50% of expenditures in its Water Fund. Water bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. The City's current reserve in the Water Fund is at 13 months with current funds equaling 110% of this year's expenditures.

Our Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lucas for its Comprehensive Annual Financial Report ("CAFR") for the fiscal years ended September 30, 2014, 2013, 2012, 2011 and 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This was the fifth consecutive year that the City has received this prestigious award.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Our Appreciation

Many persons are responsible for the preparation of this report and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the

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Finance Department who were instrumental in the successful completion of this report. Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Joni Clarke
City Manager

Liz Exum
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lucas

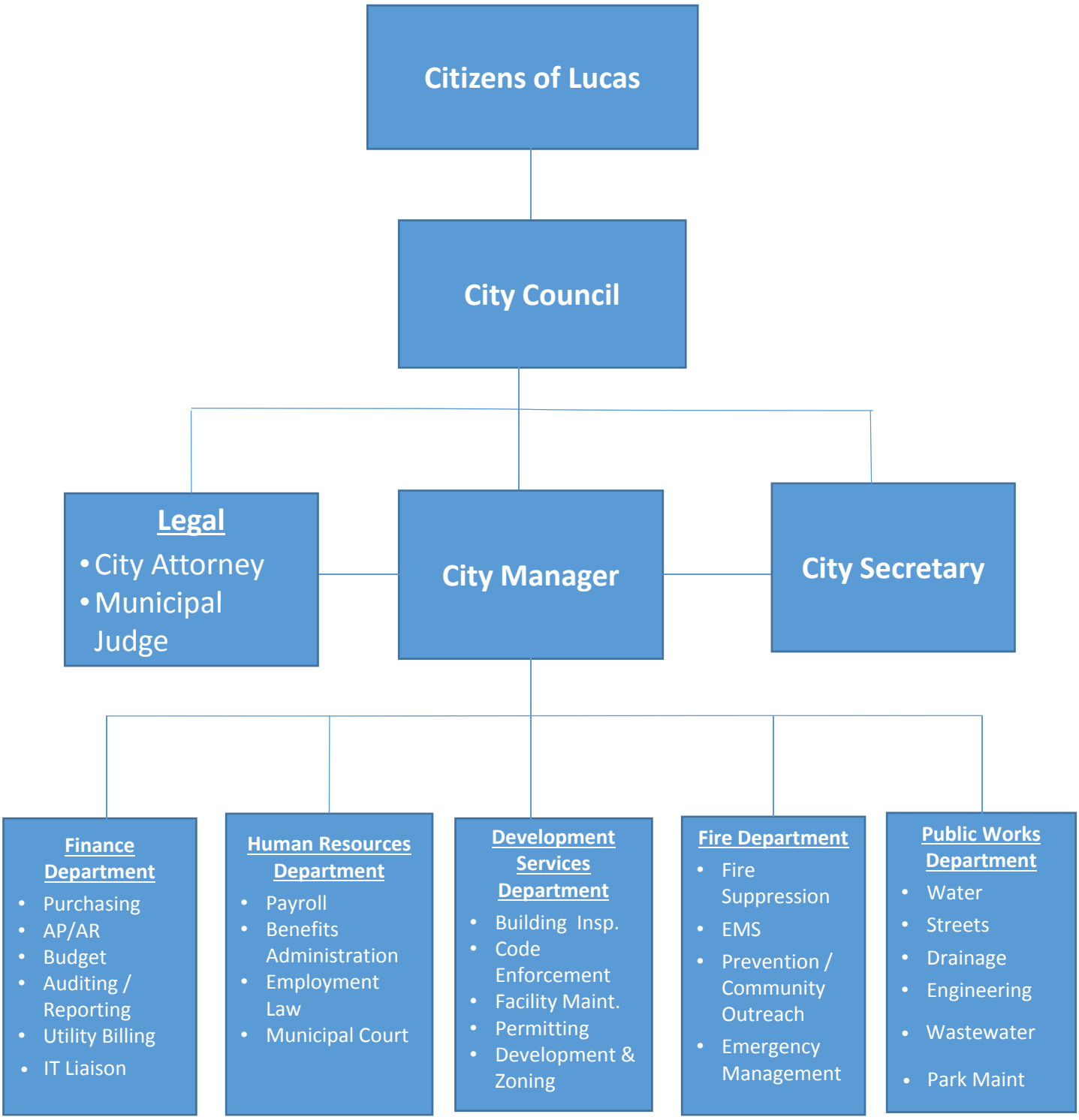
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

City of Lucas



CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
SEPTEMBER 30, 2015

City Council:

Jim Olk	Mayor
Kathleen Peele	Mayor Pro Tem, Seat 6
Wayne Millsap	Seat 1
Tim Baney	Seat 2
Steve Duke	Seat 3
Philip Lawrence	Seat 4
Debbie Fisher	Seat 5

Administrative Officers:

Joni Clarke	City Manager
Liz Exum	Finance Director
Stanton Foerster	City Engineer/Public Works Director
Jim Kitchens	Fire Chief
Joe Hilbourn	Development Services Director

FINANCIAL SECTION

Lucas

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Lucas, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.D. the City adopted new accounting guidance GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions to pension plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary comparison information, and statistical section are presented for additional analysis and are not a required part of the basic financial statements.

The supplementary information noted above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
March 8, 2016

Lucas

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lucas

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2015

As management of the City of Lucas, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) at September 30, 2015 by $41,965,125. Of this amount, $7,017,061 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position increased by $5,941,492. The majority of the City's net position are invested in capital assets and restricted for specific purposes.

- The City's governmental funds reported combined ending fund balances of $11,315,431 at September 30, 2015, an increase of $760,509 from the prior fiscal year; this includes an increase of $168,095 in the debt service fund, an increase of $94,814 in the capital improvement fund, increase of $50,075 in the nonmajor Lucas Fire District fund, and an increase of $447,525 in the general fund.

- At the end of the fiscal year, unassigned fund balance for the general fund was $6,203,973 or 158% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City include water and sewer operations.

The government-wide financial statements only include the City itself (known as the *primary government*), and does not include any other legally separate entities for which the City is financially accountable.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. The Lucas fire district fund is considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, and capital projects fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Lucas, assets exceed liabilities by $41,965,125 as of September 30, 2015 in the primary government.

The largest portion of the City's net position, $29,481,705, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 12,392,608	$ 5,547,219	$ 17,939,827	$ 10,728,127	$ 5,437,417	$ 16,165,544
Capital assets, net	19,918,842	18,107,861	38,026,703	14,804,623	16,720,990	31,525,613
Total Assets	32,311,450	23,655,080	55,966,530	25,532,750	22,158,407	47,691,157
Total Deferred Outflows	344,315	86,730	431,045	112,817	-	112,817
Other liabilities	1,758,787	659,492	2,418,279	182,182	252,066	434,248
Long-term liabilities	7,912,749	4,099,066	12,011,815	6,665,438	4,659,315	11,324,753
Total Liabilities	9,671,536	4,758,558	14,430,094	6,847,620	4,911,381	11,759,001
Total Deferred Inflows	2,356	-	2,356	21,340	-	21,340
Net Position:						
Net investment in capital assets	15,687,778	13,793,927	29,481,705	11,388,630	13,112,606	24,501,236
Restricted	5,101,359	365,000	5,466,359	2,535,158	382,027	2,917,185
Unrestricted	2,192,736	4,824,325	7,017,061	4,852,819	3,752,393	8,605,212
Total Net Position	$ 22,981,873	$ 18,983,252	$ 41,965,125	$ 18,776,607	$ 17,247,026	$ 36,023,633

During the current year, the City's current assets and restricted net assets increased due to the issuance of debt for capital improvement projects. Long-term liabilities also demonstrated an increase due to the issuance of debt. The City's deferred outflows demonstrated an increase of $318,228. This increase is mainly caused by larger pension contributions made by the City during the current year.

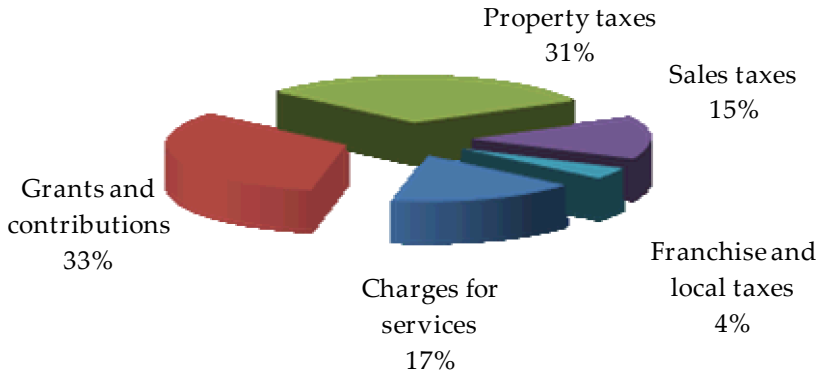
Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2015			For the Year Ended September 30, 2014		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 1,370,715	$ 3,879,602	$ 5,250,317	$ 897,764	$ 3,832,078	$ 4,729,842
Grants and contributions	2,666,277	1,299,604	3,965,881	1,804,078	512,011	2,316,089
General revenues:						
Property taxes	2,500,042	-	2,500,042	2,430,447	-	2,430,447
Sales taxes	1,180,171	-	1,180,171	814,033	-	814,033
Franchise and local taxes	333,591	-	333,591	319,026	-	319,026
Investment income	25,026	3,342	28,368	18,681	4,321	23,002
Other revenues	120,443	111,210	231,653	122,164	-	122,164
Total Revenues	8,196,265	5,293,758	13,490,023	6,406,193	4,348,410	10,754,603
Expenses						
General government	934,322	-	934,322	840,998	-	840,998
Public safety	1,522,999	-	1,522,999	1,469,546	-	1,469,546
Public works	1,091,137	-	1,091,137	867,243	-	867,243
Parks and recreation	78,233	-	78,233	132,379	-	132,379
Development services	352,718	-	352,718	257,331	-	257,331
Interest and fiscal charges	331,834	107,810	439,644	232,858	-	232,858
Water & Sewer	-	3,129,478	3,129,478	-	2,891,141	2,891,141
Total Expenses	4,311,243	3,237,288	7,548,531	3,800,355	2,891,141	6,691,496
Change in Net Position Before Transfers	3,885,022	2,056,470	5,941,492	2,605,838	1,457,269	4,063,107
Transfers	320,244	(320,244)	-	275,834	(275,834)	-
Total	320,244	(320,244)	-	275,834	(275,834)	-
Change in Net Position	4,205,266	1,736,226	5,941,492	2,881,672	1,181,435	4,063,107
Beginning Net Position	18,776,607	17,247,026	36,023,633	15,894,935	16,065,591	31,960,526
Ending Net Position	$ 22,981,873	$ 18,983,252	$ 41,965,125	$ 18,776,607	$ 17,247,026	$ 36,023,633

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

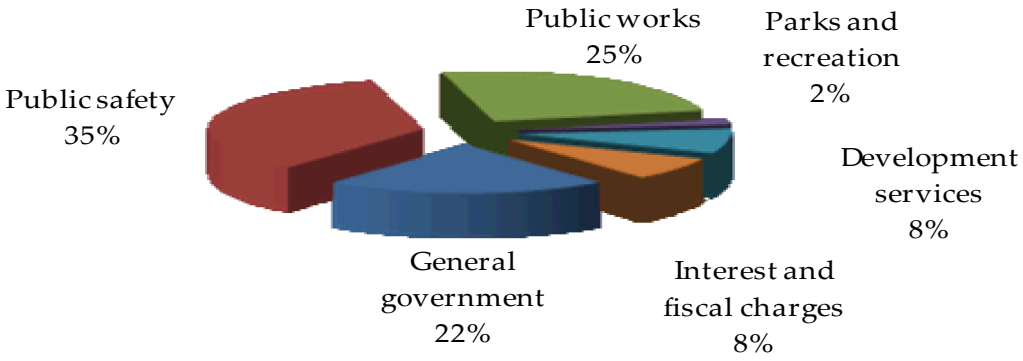
Governmental Activities - Revenues



For the year ended September 30, 2015, revenues from governmental activities totaled $8,196,265. Property tax, sales tax and franchise tax are the City's largest general revenue sources. Overall revenue increased $1,790,072 or 28% due to large amounts of contributed capital that occurred during the year. Grants and contributions increased by $862,199 related to said contributed capital. Property tax revenue increased $69,595 due to increase property values and a growing tax base. Sales tax increased by $366,138 or 45% due to growth and development within the City as well as the Lucas Fire District's ability to receive sales tax revenue. Charges for services increased by $472,951, primarily from development and permit fees. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

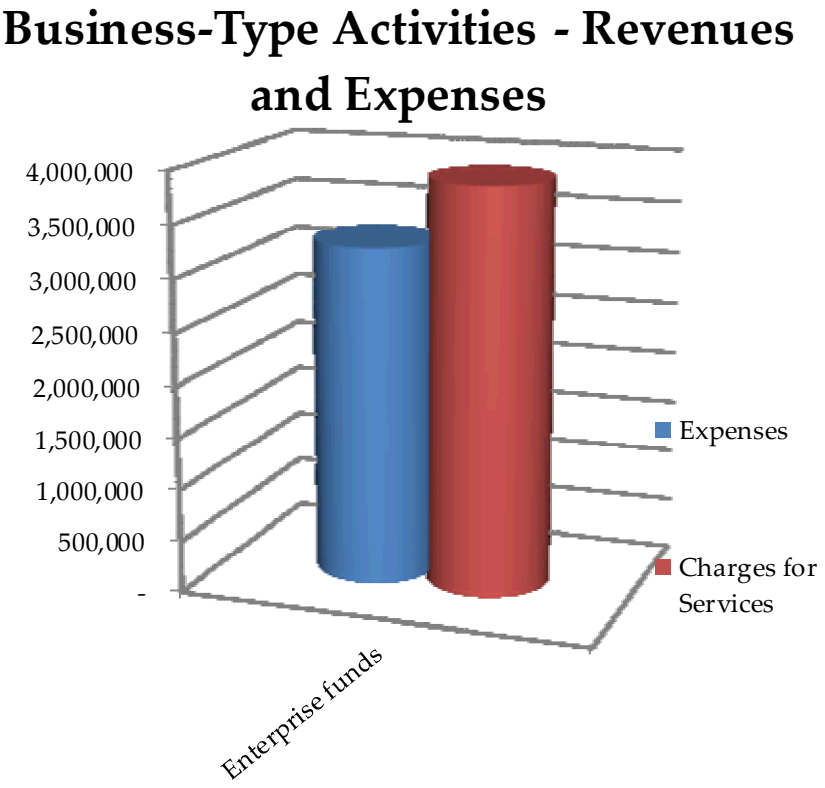
Governmental Activities - Expenses



For the year ended September 30, 2015, expenses for governmental activities totaled $4,311,243. This represents an increase of $510,888 or 13% from the prior year. The City's largest functional expense is public safety of $1,522,999. All expenditures increased from the previous year. General government

increased $93,324 or 11%, public works increased $223,894 or 26% and development services increased $95,387 due to growth and development within the City. In addition, interest and fiscal charges increased $98,976 or 43%. This category demonstrated a large increase due to bond issuance costs incurred during the year.

Business-type activities are shown comparing operating costs to revenues generated by related services.



For the year ended September 30, 2015, charges for services by business-type activities totaled $3,879,602. This is an increase of $47,524, or 1%, from the previous year. This increase directly relates to water usage within the City.

Total expenses increased $238,337 to a total of $3,237,288, due primarily to an increase in the North Texas Municipal Water District contract, the City's source of water.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At September 30, 2015, the City's governmental funds reported combined fund balances of $11,315,431, an increase of $760,509 in comparison with the prior year. Approximately 55% of this amount ($6,203,973) constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is *restricted*.

As of the end of the year the general fund reflected a total fund balance of $7,129,637, the total of which is unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of General Fund is 182% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of $6,203,973 is 158% of total general fund expenditures.

The debt service fund had an ending fund balance of $560,000 at September 30, 2015 compared to the previous year's balance of $391,905.

The capital projects fund ending fund balance is $3,575,719. During the year, the City expended $2,755,146 on various projects, utilizing funds from the 2011 certificates of obligation, impact fees, and reserves.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the utility fund totaled $18,983,252. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to $4,824,325. Total net position demonstrated an increase of $1,736,226. The fund had an investment in capital assets, net of related debt of $13,793,927. The City operates and maintains a water and sewer distribution system with force mains and lift stations. The City has six water storage facilities with a total capacity of approximately 6.9 million gallons. The following are additional comments regarding operations of the enterprise fund:

- The City received capital contributions of $1,299,604 consisting of water and sewer infrastructure.
- Operational expenses excluding depreciation and amortization were $2,509,073.
- Cash and cash equivalents in the utility fund were $4,660,531 at fiscal year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were three budget amendments approved during the fiscal year, and increases totaling $114,150. There was a positive variance of $1,262 over budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a total positive variance of $302,257 in budgeted appropriations.
- $711,087 is the surplus of revenues over expenditures before transfers.
- There was a net positive change in fund balance of $447,525.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $38,026,703 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested $18,107,861 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure. The City's total investment in capital assets increased by $6,501,090, net of depreciation.

Major capital asset events during the current year include the following:

- Contribution of assets by a developer.
- Construction of fire department expansion.
- Infrastructure expansion

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total bonded debt obligations of $12,124,404 including premiums. Of this amount, $4,315,983 is self-supporting through revenues collected from the rates of the City's utility fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following known factors were considered in preparing the City's operating budget for FY 2015-2016:

- This budget will raise more total property taxes than last year's budget by $304,615, or 13.74%, and of that amount, $136,133 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2015-2016 reflects total anticipated revenues of $9,196,179 and total anticipated expenditures of $8,855,139.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2015-2016 was enacted by Ordinance #2015-09-00819 and is set to $0.320661 cents per $100 of valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 665 Country Club Rd., Lucas, Texas 75002 or call (972) 727-8999.

Lucas

FINANCIAL STATEMENTS

Lucas

City of Lucas, Texas

STATEMENT OF NET POSITION

September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 6,760,694	$ 4,295,531	$ 11,056,225
Restricted cash	5,380,040	365,000	5,745,040
Receivables, net	251,874	886,688	1,138,562
Total Current Assets	12,392,608	5,547,219	17,939,827
Capital assets:			
Non-depreciable	1,127,552	611,164	1,738,716
Net depreciable capital assets	18,791,290	17,496,697	36,287,987
	19,918,842	18,107,861	38,026,703
Total Assets	32,311,450	23,655,080	55,966,530
Deferred Outflows of Resources			
Pension contributions	288,705	43,707	332,412
Pension investment earnings	11,214	4,148	15,362
Pension gain on investments	-	7,022	7,022
Deferred charge on refunding	44,396	31,853	76,249
Total Deferred Outflows of Resources	344,315	86,730	431,045
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	1,029,738	27,610	1,057,348
Accrued interest payable	52,541	27,317	79,858
Customer deposits	11,400	223,300	234,700
Long term debt due within one year	665,108	381,265	1,046,373
	1,758,787	659,492	2,418,279
Noncurrent liabilities:			
Due in more than one year	7,427,695	3,950,983	11,378,678
Net pension liability	485,054	148,083	633,137
Total Liabilities	9,671,536	4,758,558	14,430,094
Deferred Inflows of Resources			
Pension losses	2,356	-	2,356
Net Position			
Net investment in capital assets	15,687,778	13,793,927	29,481,705
Restricted for:			
Impact fees	867,279	-	867,279
Debt service	560,000	365,000	925,000
Capital improvements	3,575,719	-	3,575,719
Municipal court	35,513	-	35,513
Fire protection	50,075	-	50,075
Cable fees	12,773	-	12,773
Unrestricted	2,192,736	4,824,325	7,017,061
Total Net Position	$ 22,981,873	$ 18,983,252	$ 41,965,125

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 934,322	$ -	$ -	$ -
Public safety	1,522,999	327,745	-	-
Public works	1,091,137	335,163	196,000	2,470,277
Parks and recreation	78,233	-	-	-
Development services	352,718	707,807	-	-
Interest and fiscal charges	331,834	-	-	-
Total Governmental Activities	4,311,243	1,370,715	196,000	2,470,277
Business-Type Activities				
Utility fund	3,237,288	3,879,602	-	1,299,604
Total Business-Type Activities	3,237,288	3,879,602	-	1,299,604
Total Primary Government	$ 7,548,531	$ 5,250,317	$ 196,000	3,769,881

General Revenues:	
Taxes	
Property taxes	
Sales taxes	
Franchise and local taxes	
Investment income	
Other revenues	
Transfers	
Total General Revenues and Transfers	
Change in Net Position	
Beginning Net Position	
Ending Net Position	

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (934,322)	$ -	$ (934,322)
(1,195,254)	-	(1,195,254)
1,910,303	-	1,910,303
(78,233)	-	(78,233)
355,089	-	355,089
(331,834)	-	(331,834)
(274,251)	-	(274,251)
-	1,941,918	1,941,918
-	1,941,918	1,941,918
(274,251)	1,941,918	1,667,667
2,500,042	-	2,500,042
1,180,171	-	1,180,171
333,591	-	333,591
25,026	3,342	28,368
120,443	111,210	231,653
320,244	(320,244)	-
4,479,517	(205,692)	4,273,825
4,205,266	1,736,226	5,941,492
18,776,607	17,247,026	36,023,633
$ 22,981,873	$ 18,983,252	$ 41,965,125

City of Lucas, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	General	Debt Service	Capital Projects	Nonmajor Lucas Fire District
Assets				
Cash and cash equivalents	$ 6,757,067	$ -	$ -	$ 3,627
Receivables, net	196,155	9,271	-	46,448
Cash and cash equivalents - restricted	1,028,599	560,000	3,791,441	-
Total Assets	$ 7,981,821	$ 569,271	$ 3,791,441	$ 50,075
Liabilities				
Accounts payable and accrued liabilities	$ 814,016	$ -	$ 215,722	$ -
Customer deposits	11,400	-	-	-
Total Liabilities	825,416	-	215,722	-
Deferred Inflows of Resources				
Unavailable revenue - Property taxes	26,768	9,271	-	-
Total Deferred Inflows	26,768	9,271	-	-
Fund Balances				
Restricted for:				
Impact fees	867,279	-	-	-
Debt service	-	560,000	-	-
Capital improvements	-	-	3,575,719	-
Municipal court	45,612	-	-	-
Fire protection	-	-	-	50,075
Cable fees	12,773	-	-	-
Unassigned	6,203,973	-	-	-
Total Fund Balances	7,129,637	560,000	3,575,719	50,075
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,981,821	$ 569,271	$ 3,791,441	$ 50,075

See Notes to Financial Statements.

	Total Governmental Funds
$	6,760,694
	251,874
	5,380,040
$	12,392,608
$	1,029,738
	11,400
	1,041,138
	36,039
	36,039
	867,279
	560,000
	3,575,719
	45,612
	50,075
	12,773
	6,203,973
	11,315,431
$	12,392,608

Lucas

City of Lucas, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2015

Fund Balances - Total Governmental Funds	$	11,315,431
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		1,127,552
Capital assets - net depreciable		18,791,290
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		36,039
Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.		
Pension contributions		288,705
Pension investment earnings		11,214
Deferred charge on refunding		44,396
Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.		
Pension losses		(2,356)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(52,541)
Bond premium		(138,421)
Non-current liabilities due in one year		(665,108)
Non-current liabilities due in more than one year		(7,289,274)
Net pension liability		(485,054)
Net Position of Governmental Activities	$	22,981,873

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	General	Debt Service	Capital Projects	Nonmajor Lucas Fire District
Revenues				
Property tax	$ 1,809,040	$ 683,486	$ -	$ -
Sales tax	924,370	-	-	255,801
Franchise and local taxes	333,591	-	-	-
Licenses and permits	571,932	-	-	-
Impact fees	335,163	-	-	-
Fire department agreements	325,778	-		-
Intergovernmental	-	-	141,000	-
Contributions	55,000	-	-	-
Fines and forfeitures	137,842	-	-	-
Investment income	12,178	393	12,455	-
Other revenue	120,443	-	-	-
Total Revenues	4,625,337	683,879	153,455	255,801
Expenditures				
Current:				
General government	817,532	-	-	-
Public safety	1,412,056	-	-	-
Public works	407,920	-	-	-
Development services	328,126	-	-	-
Parks and recreation	78,233	-	-	-
Debt Service:				
Principal	54,367	390,000	-	-
Interest and fiscal charges	8,321	218,811	-	-
Bond issuance costs	-	-	85,771	-
Capital outlay	807,695	-	2,755,146	-
Total Expenditures	3,914,250	608,811	2,840,917	-
Excess of Revenues Over (Under) Expenditures	711,087	75,068	(2,687,462)	255,801
Other Financing Sources (Uses)				
Transfers in	405,287	93,027	696,505	-
Transfers (out)	(668,849)	-	-	(205,726)
Bonds issued	-	-	2,000,000	-
Premium on bonds issued	-	-	85,771	-
Total Other Financing Sources (Uses)	(263,562)	93,027	2,782,276	(205,726)
Net Change in Fund Balances	447,525	168,095	94,814	50,075
Beginning fund balances	6,682,112	391,905	3,480,905	-
Ending Fund Balances	$ 7,129,637	$ 560,000	$ 3,575,719	$ 50,075

See Notes to Financial Statements.

Total Governmental Funds
$ 2,492,526
1,180,171
333,591
571,932
335,163
325,778
141,000
55,000
137,842
25,026
120,443
5,718,472
817,532
1,412,056
407,920
328,126
78,233
444,367
227,132
85,771
3,562,841
7,363,978
(1,645,506)
1,194,819
(874,575)
2,000,000
85,771
2,406,015
760,509
10,554,922
$ 11,315,431

Lucas

City of Lucas, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	$	760,509
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		3,422,242
Depreciation expense		(778,300)
The effect of capital assets contributed to the City during the current year.		2,470,277
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(7,516)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(9,089)
Accrued interest		(15,117)
Pension expense		178,090
Contribution to new pension fund		(170,536)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of debt premium		(85,771)
Amortization of deferred charges on refunding		(7,400)
Amortization of debt premium		3,510
Issuance of debt		(2,000,000)
Debt payments		444,367
Change in Net Position of Governmental Activities	$	4,205,266

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2015

		Utility Fund
Assets		
Current Assets		
Cash and cash equivalents		$ 4,295,531
Restricted cash		365,000
Receivables, net		886,688
	Total Current Assets	5,547,219
Noncurrent Assets		
Capital assets:		
Non-depreciable		611,164
Net depreciable capital assets		17,496,697
	Total Noncurrent Assets	18,107,861
	Total Assets	23,655,080
Deferred Outflows of Resources		
Pension contributions		43,707
Pension investment earnings		4,148
Pension gain on investments		7,022
Deferred charge on refunding		31,853
	Total Deferred Outflows of Resources	86,730
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities		27,610
Accrued interest		27,317
Customer deposits		223,300
Current portion of long term debt		381,265
	Total Current Liabilities	659,492
Noncurrent Liabilities		
Noncurrent portion of long term debt		3,950,983
Net pension liability		148,083
	Total Liabilities	4,758,558
Net Position		
Net investment in capital assets		13,793,927
Restricted for:		
Debt service		365,000
Unrestricted		4,824,325
	Total Net Position	$ 18,983,252

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended September 30, 2015

	Business-type Activities
	Utility Fund
Operating Revenues	
Charges for services	$ 3,611,767
Impact fees	267,835
Total Operating Revenues	3,879,602
Operating Expenses	
Personnel	622,436
Contractual services	1,402,437
Trash services	379,724
Supplies and materials	45,832
Maintenance and repair	58,644
Depreciation	616,221
Total Operating Expenses	3,125,294
Operating Income	754,308
Non-Operating Revenues (Expenses)	
Amortization expense	(4,184)
Investment income	3,342
Gain on disposal of property	111,210
Interest expense	(107,810)
Total Non-Operating Revenues (Expenses)	2,558
Income Before Capital Contributions and Transfers	756,866
Contributed capital	1,299,604
Transfers (out)	(320,244)
Change in Net Position	1,736,226
Beginning net position	17,247,026
Ending Net Position	$ 18,983,252

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2015

	Business-type Activities
	Utility Fund
Cash Flows from Operating Activities	
Receipts from customers	$ 3,457,827
Payments to suppliers	(1,872,124)
Payments to employees	(550,318)
Net Cash Provided by Operating Activities	1,035,385
Cash Flows from Noncapital Financing Activities	
Transfer (out)	(320,244)
Net Cash (Used for) Noncapital Financing Activities	(320,244)
Cash Flows from Capital and Related Financing Activities	
Capital purchases	(740,987)
Proceeds from sale of assets	148,709
Principal paid on debt	(360,000)
Interest paid on debt	(91,915)
Net Cash (Used for) Capital and Related Financing Activities	(1,044,193)
Cash Flows from Investing Activities	
Interest on investments	3,342
Net Cash Provided by Investing Activities	3,342
Net (decrease) in Cash and Cash Equivalents	(325,710)
Beginning cash and cash equivalents	4,986,241
Ending Cash and Cash Equivalents	$ 4,660,531

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2015

	Business-type Activities	
		Utility Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	754,308
Adjustments to reconcile operating income to net cash provided:		
Depreciation		616,221
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable		(435,510)
Increase (Decrease) in:		
Accounts payable and accrued liabilities		14,513
Compensated absences		5,128
Customer deposits		13,735
Deferred outflows - pension contributions		(20,015)
Deferred outflows - investment earnings		(4,148)
Deferred inflows - pension (gains) losses		(7,022)
Net pension liability		98,175
Net Cash Provided by Operating Activities	$	1,035,385
Schedule of Non-cash Capital and Related Financing Activities:		
Contributions of capital assets	$	1,299,604

See Notes to Financial Statements.

Lucas

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lucas, Texas (the "City") is a municipal corporation of the State, duly organized and existing under the laws of the State of Texas including the City's Home Rule Charter. The City was incorporated in 1959, and first adopted its Home Rule Charter in September 2008. The City operates under a Council/Manager form of government with a City Council composed of the Mayor and six-member Council. The City provides the following services as authorized by its charter: public safety, public works, water and sanitary sewer utilities, culture-recreation, planning and zoning, and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Lucas Fire District (the "LFD"), although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Lucas Fire District

The City created the Lucas Fire District in January 2014 to fund and improve fire control, prevention, and emergency medical service within the City's limits. The creation of this district allows the City to collect extra sales tax that is restricted for this purpose. Currently, the City's Mayor and Council serve as directors of this district.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, community development, and nondepartmental. This fund is considered to be a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. This fund is considered to be a major fund.

Capital Improvements Fund

The capital projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds. This fund is considered to be a major fund.

Lucas Fire District Fund

The fund accounts for the activity of the aforementioned Lucas Fire District. This fund is a non-major fund.

The government reports the following major enterprise fund:

Utility Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and LOGIC, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. Government, State of Texas and agencies thereof
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

2. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	5 to 30 years
Buildings and improvements	25 years

5. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government has adopted a policy to maintain a minimum reserve of an amount equal to or greater than 50% of operating expenditures in the general fund.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

9. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or

segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

3. Compensated Absences

City employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until retirement or termination. There is no liability for unpaid accumulated sick leave when employees separate from service with the City. All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital improvements, Lucas Fire District, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Three supplemental budget appropriations were made during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2015, the primary government did not hold any investments:

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance

with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2015, the City's investment in TexPool, LOGIC, and the Lone Star Investment Pool were rated AAAm by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2015, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

LOGIC

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. Standard & Poor's rates Local Government Investment Cooperative (LOGIC) 'AAAm'. This is Standard & Poor's highest principal stability fund rating and is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management. The rating demonstrates that the pool has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. LOGIC has a conservative investment policy and invests in only authorized investments under the Texas Public Funds Investment Act. To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis.

Lone Star Investment Pool

The Lone Star Investment Pool limits investments only to those allowed by the Public Funds Investment Act. The Lone Star fund has earned Standard & Poor's highest rating (AAA), which meets the standards set by the Public Funds Investment Act.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Lucas Fire District	Water & Sewer	Total
Property taxes	$ 26,768	$ 9,271	$ -	$ -	$ 36,039
Sales tax	169,387	-	46,448	-	215,835
Fines	26,427	-	-	-	26,427
Accounts	-	-	-	842,451	842,451
Other	-	-	-	44,310	44,310
Allowance	(26,427)	-	-	(73)	(26,500)
	$ 196,155	$ 9,271	$ 46,448	$ 886,688	$ 1,138,562

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 916,447	$ -	$ -	$ 916,447
Construction in progress	511,871	211,105	(511,871)	211,105
Total capital assets not being depreciated	1,428,318	211,105	(511,871)	1,127,552
Capital assets, being depreciated:				
Buildings and improvements	1,843,372	2,475,991	511,871	4,831,234
Furniture and equipment	1,404,405	26,368	-	1,430,773
Vehicles	1,666,661	-	-	1,666,661
Infrastructure	12,436,156	3,179,055	-	15,615,211
Total capital assets being depreciated	17,350,594	5,681,414	511,871	23,543,879
Less accumulated depreciation				
Buildings and improvements	(445,236)	(57,947)	-	(503,183)
Furniture and equipment	(807,545)	(185,855)	-	(993,400)
Vehicles	(798,431)	(126,434)	-	(924,865)
Infrastructure	(1,923,077)	(408,064)	-	(2,331,141)
Total accumulated depreciation	(3,974,289)	(778,300)	-	(4,752,589)
Net capital assets being depreciated	13,376,305	4,903,114	511,871	18,791,290
Total Capital Assets	$ 14,804,623	$ 5,114,219	$ -	$ 19,918,842

Depreciation was charged to governmental functions as follows:

General government	$ 75,047
Public safety	200,445
Public works	502,808
Total Governmental Activities Depreciation Expense	$ 778,300

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 415,757	$ -	$ (37,500)	$ 378,257
Construction in progress	1,621,111	252,463	(1,640,667)	232,907
Total capital assets not being depreciated	2,036,868	252,463	(1,678,167)	611,164
Capital assets, being depreciated:				
Buildings and improvements	734,067	-	-	734,067
Infrastructure	16,977,249	1,595,132	1,640,667	20,213,048
Furniture and equipment	978,466	192,996	-	1,171,462
Vehicles	120,791	-	-	120,791
Total capital assets being depreciated	18,810,573	1,788,128	1,640,667	22,239,368
Less accumulated depreciation				
Buildings and improvements	(185,859)	(32,988)	-	(218,847)
Infrastructure	(3,260,361)	(441,713)	-	(3,702,074)
Furniture and equipment	(608,831)	(124,539)	-	(733,370)
Vehicles	(71,399)	(16,981)	-	(88,380)
Total accumulated depreciation	(4,126,450)	(616,221)	-	(4,742,671)
Net capital assets being depreciated	14,684,123	2,404,349	1,640,667	17,496,697
Total Capital Assets	$ 16,720,991	$ 2,656,812	$ (37,500)	$ 18,107,861

Depreciation was charged to business-type activities as follows:

Utility	$ 616,221
Total Business-Type Activities Depreciation Expense	$ 616,221

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	$ 1,695,000	$ -	$ (180,000)	$ 1,515,000	$ 190,000
Certificates of Obligation	4,365,000	2,000,000	(210,000)	6,155,000	370,000
Premium	56,160	85,771	(3,510)	138,421	-
Other liabilities:					
Capital lease	288,008	-	(54,367)	233,641	54,368
Compensated absences	41,651	66,758	(57,669)	50,740	50,740
Total Governmental Activities	$ 6,445,819	$ 2,152,529	$ (505,546)	$ 8,092,802	$ 665,108
Long-term liabilities due in more than one year				$ 7,427,694	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	$ 1,040,000	$ -	$ (175,000)	$ 865,000	$ 170,000
Certificates of Obligation	3,600,000	-	(185,000)	3,415,000	195,000
Premium	38,232	-	(2,249)	35,983	-
Other liabilities:					
Compensated absences	11,137	19,817	(14,689)	16,265	16,265
Total Business-Type Activities	$ 4,689,369	$ 19,817	$ (376,938)	$ 4,332,248	$ 381,265
Long-term liabilities due in more than one year				$ 3,950,983	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The business-type long-term debt will be repaid, plus accrued interest, from operating revenues of the water and sewer fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2007 General obligation refunding bonds	3.76%	$ 1,790,000	$ 1,515,000
2007 Certificates of obligation	4.25%	2,500,000	1,125,000
2011 Certificates of obligation	2.00%	3,500,000	3,030,000
2015 Certificates of obligation	3.00%	2,000,000	2,000,000
Total General Obligation Bonds		9,790,000	7,670,000
Business-type Activities:			
2007 General obligation refunding bonds	3.76%	$ 1,455,000	$ 865,000
2007 Certificates of obligation	4.25%	2,500,000	1,460,000
2011 Certificates of obligation	2.00%	2,250,000	1,955,000
Total Business-Type Activities		$ 6,205,000	$ 4,280,000
Total Long-Term Debt			
2007 General obligation refunding bonds	3.76%	$ 3,245,000	$ 2,380,000
2007 Certificates of obligation	4.25%	5,000,000	2,585,000
2011 Certificates of obligation	2.00%	5,750,000	4,985,000
2015 Certificates of obligation	3.00%	2,000,000	2,000,000
Total		$ 15,995,000	$ 11,950,000

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Governmental Activities

Year ending	General Obligation Bonds		Certificates of Obligation	
September 30,	Principal	Interest	Principal	Interest
2016	$ 190,000	$ 53,392	$ 370,000	$ 212,747
2017	200,000	46,060	340,000	196,288
2018	205,000	38,446	355,000	186,213
2019	215,000	30,550	360,000	175,513
2020	225,000	22,278	370,000	164,013
2021	235,000	13,630	375,000	151,713
2022	245,000	4,606	390,000	139,113
2023	-	-	410,000	125,475
2024	-	-	420,000	110,375
2025	-	-	435,000	94,350
2026	-	-	445,000	77,875
2027	-	-	460,000	60,950
2028	-	-	375,000	45,600
2029	-	-	390,000	31,825
2030	-	-	405,000	17,500
2031	-	-	255,000	5,100
Total	$ 1,515,000	$ 208,962	$ 6,155,000	$ 1,794,647

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Business-Type Activities

Year ending	General Obligation Bonds		Certificates of Obligation	
September 30,	Principal	Interest	Principal	Interest
2016	$ 170,000	$ 29,328	$ 195,000	$ 128,188
2017	170,000	22,936	205,000	121,431
2018	100,000	17,860	215,000	113,888
2019	105,000	14,006	220,000	105,863
2020	110,000	9,964	225,000	97,688
2021	105,000	5,922	240,000	89,181
2022	105,000	1,974	235,000	80,494
2023	-	-	240,000	71,519
2024	-	-	245,000	61,794
2025	-	-	250,000	51,581
2026	-	-	260,000	41,069
2027	-	-	265,000	30,256
2028	-	-	145,000	21,900
2029	-	-	150,000	16,000
2030	-	-	160,000	9,800
2031	-	-	165,000	3,300
Total	$ 865,000	$ 101,990	$ 3,415,000	$ 1,043,950

The annual requirements to amortize governmental capital leases outstanding at year ending were as follows:

Capital Leases

Year ending	Governmental Activities	
September 30,	Principal	Interest
2016	$ 55,368	$ 8,321
2017	57,222	5,467
2018	58,838	3,851
2019	62,213	475
	$ 233,641	$ 18,114

The City entered into a finance contract for the purchase an ambulance and equipment on November 7, 2013. The assets under lease has a book value of $106,806 as of year end.

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2007 general obligation refunding and improvement bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. End of year balances totaled $44,396 for governmental activities and $31,853 for business-type activities. Current year amortization expense for governmental activities totaled $7,400. For business-type activities amortization expense was $5,308.

G. Interfund Transactions

Transfers between the primary government funds during the 2015 year were as follows:

Transfer Out	Transfer In		Amount
General	Capital Improvement	$	575,822
General	Debt Service		93,027
Utility Fund	Capital Improvement		120,683
Utility Fund	General		199,561
Lucas Fire District	General		205,726
	Total	$	1,194,819

Transfers between funds were made for costs borne by the receiving funds.

H. Restricted Net Position

The City records restricted net position to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted net position of the City:

	Governmental Activities	Business-type Activities
Restricted for:		
Impact fees	$ 867,279	$ -
Debt service	560,000	365,000
Capital improvements	3,575,719	-
* Municipal court	45,612	-
* Fire protection	50,075	-
* Cable fees	12,773	-
Total	$ 5,111,458	$ 365,000

***** Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

GASB 62 defines probability of loss contingencies as the following:

Probable. The future event or events are likely to occur.
Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Remote. The chance of the future event or events occurring is slight.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

At year end there was no litigation that was required to be recorded.

C. Pension Plans

Texas Municipal Retirement Systems

1. Plan Description

The City of Lucas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an

annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2014	Plan Year 2015
Employee deposit rate	7.00%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	70% of CPI

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	25
Active employees	26
Total	58

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lucas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lucas were 9.61% and 14% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the

year ended September 30, 2015, were $192,781, and were equal to the required contributions.

4. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return

(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/13	$ 1,688,674	$ 1,503,828	$ 184,846
Changes for the year:			
Service Cost	182,681	-	182,681
Interest	144,591	-	144,591
Change in benefit terms	305,541	-	305,541
Difference between expected and actual experience	33,580	-	33,580
Contributions – employer	-	113,742	(113,742)
Contributions – employee	-	103,947	(103,947)
Net investment income	-	86,065	(86,065)
Benefit payments, including refunds of emp. contributions	(39,926)	(39,926)	-
Administrative expense	-	(898)	898
Other changes	-	(74)	74
Net changes	626,467	262,856	363,611
Balance at 12/31/14	$ 2,315,141	$ 1,766,684	$ 548,457

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
$ 929,655	$ 548,457	$ 241,131

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,006	$ -
Difference between projected and investment earnings	15,362	-
Contributions subsequent to the measurement date	161,876	-
Total	$ 203,244	$ -

The City reported $161,876 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	$ 11,415
2017	11,415
2018	11,415
2019	7,123
Thereafter	-
Total	$ 41,368

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City offers supplemental death to:	Plan Year 2014	Plan Year 2015
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were $2,829, $2,514 and $1,551, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.19%	0.19%	100.0%
2014	0.19%	0.19%	100.0%
2015	0.18%	0.18%	100.0%

Texas Emergency Services Retirement System

1. Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2014, there were 193 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2014, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,679
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	4,036
Total	8,876

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

2. Funding Policy

Contribution provisions were originally established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

3. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2014, total contributions (dues and prior service) of $4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The maximum state contribution is one third of the total contributions by governing bodies in a particular year. This amount was paid in early September 2014.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2014 concluded that the system has an adequate contribution arrangement.

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate and in compliance with GASB Statement No. 25. In our opinion, the assumptions used are reasonably related to the experience of the System and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the System over the long-term future, and their selection complies with the appropriate actuarial standards of practice.

Schedule of Employer Contributions

Fiscal Year Ending August 31,	Annual Required Contributions	Actual Contributions	Percentage Contributed	
2010	2,875,103	2,875,103	100%	(1)
2011	3,125,329	3,125,329	100%	(2)
2012	4,425,898	4,425,898	100%	(2)(3)
2013	5,020,980	5,020,980	100%	(4)
2014	5,707,002	5,707,002	100%	(4)

(1)Based on the August 31, 2010 actuarial valuation.
(2)Based on the August 31, 2012 actuarial valuation.
(3)Includes a requested state contribution of $906,443.
(4)Based on the August 31, 2014 actuarial valuation.

Valuation Date	**August 31, 2010**	**August 31, 2012**	**August 31, 2014**
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open	Level dollar, open
Amortization	30 years	Infinity	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:			
Investment Rate of Return *	8% per year, net of investment expenses	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses
Projected Salary Increases *	N/A	N/A	N/A
* Includes Inflation at	3.50%	3.50%	3.50%
Cost-of-Living Adjustments	None	None	None

The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Developed international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnership	5%	7.1%
Fixed income:		
Domestic	21%	1.4%
International	5%	1.6%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net

Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

4. Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 8/31/13	$ 485,311	$ 365,352	$ 119,959
Changes for the year:			
Service Cost	8,517	-	8,517
Interest (on the Total Pension Liab.)	37,519	-	37,519
Difference between expected and actual experience	-	-	-
Contributions – members	-	19,463	(19,463)
Contributions – state	-	7,131	(7,131)
Net investment income	-	55,493	(55,493)
Benefit payments, including refunds of emp. contributions	(19,424)	(19,424)	-
Administrative expense	-	(772)	772
Other changes	-	-	-
Net changes	26,612	61,891	(35,279)
Balance at 8/31/14	$ 511,923	$ 427,243	$ 84,680

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
$ 174,499	$ 84,680	$ 32,275

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TESRS financial report. That report may be obtained on the internet at www.tesrs.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and investment earnings	$ -	$ 21,340
Contributions subsequent to the measurement date	-	-
Total	$ -	$ 21,340

The City has ceased contributing to the plan and intends to withdraw from participation.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	
2016	$ (5,335)
2017	(5,335)
2018	(5,335)
2019	(5,335)
2020	-
Thereafter	-
	$ (21,340)

City of Lucas Volunteer Firefighter Length of Service Award (LOSAP) Pension Plan

6. Plan Description

During the course of the year, the City created the City of Lucas Volunteer Firefighter Length of Service Award Pension Plan as a replacement to the participation in TESRS. As of September 30, 2015 a valuation has not been performed. The City contributed $170,536 in order to fund this plan. This contribution has been accounted for as a deferred outflow – contribution at year end.

D. Restatement

The City has restated beginning fund balance/net position within governmental and business type activities due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to correct construction in progress, and bond discounts. The restatement of beginning net position/fund balance is as follows:

	Governmental Activities	Water & Sewer	Business-Type Activities
Prior year ending net position fund balance as reported	$ 19,156,104	$ 17,133,145	$ 17,133,145
Adoption of GASB 68	(179,937)	(27,339)	(27,339)
Correction of bonds issuance	(28,159)	-	-
Correction of unbilled revenue	-	141,220	141,220
Correction of construction in progress	(171,401)	-	-
Restated beginning net position/fund balance	$ 18,776,607	$ 17,247,026	$ 17,247,026

E. Subsequent Events

There were no material subsequent events through March 8, 2016, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	$ 1,808,516	$ 1,812,966	$ 1,809,040	$ (3,926)
Sales tax	780,000	867,246	924,370	57,124
Franchise and local taxes	285,500	311,500	333,591	22,091
Licenses and permits	412,425	525,105	571,932	46,827
Impact fees	188,000	358,000	335,163	(22,837)
Fire department agreements	304,238	300,976	325,778	24,802
Contributions	66,000	50,000	55,000	5,000
Fines and forfeitures	89,948	132,034	137,842	5,808
Investment income	9,000	12,000	12,178	178
Other revenue	264,000	254,248	120,443	(133,805)
Total Revenues	4,207,627	4,624,075	4,625,337	1,262
Expenditures				
Current:				
General government				
City council	49,475	30,224	21,070	9,154
City secretary	140,461	136,875	126,525	10,350
Administrative	657,212	704,821	669,937	34,884
Total general government	847,148	871,920	817,532	54,388
Public safety				
Fire department	1,184,618	1,393,469	1,321,985	71,484
Police	95,827	90,071	90,071	-
Total public safety	1,280,445	1,483,540	1,412,056	71,484
Public works				
Public works	408,739	460,036	373,920	86,116
Parks and recreation	108,937	145,495	78,233	67,262
Animal control	143,626	34,000	34,000	-
Total public works	661,302	639,531	486,153	153,378
Development services	312,144	371,612	328,126	43,486
Capital outlay	841,471	785,727	807,695	(21,968)
Debt service:				
Principal	62,688	54,367	54,367	-
Interest	-	8,321	8,321	-
Total debt service	62,688	62,688	62,688	-
Total Expenditures	4,005,198	4,215,018	3,914,250	300,768
Revenues Over (Under)	202,429	409,057	711,087	302,030

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in (out)	433,203	340,725	(263,562)	(604,287)
Total Other Financing Sources (Uses)	433,203	340,725	(263,562)	(604,287)
Net Change in Fund Balance	$ 635,632	$ 749,782	447,525	$ (302,257)
Beginning fund balance			6,682,112	
Ending Fund Balance			$ 7,129,637	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Lucas, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2015

	2014 [1]
Total pension liability	
Service cost	$ 182,681
Interest	144,591
Changes in benefit terms	305,541
Differences between expected and actual experience	33,580
Changes of assumptions	-
Benefit payments, including refunds of participant contributions	(39,926)
Net change in total pension liability	626,467
Total pension liability - beginning	$ 1,688,674
Total pension liability - ending (a)	$ 2,315,141
Plan fiduciary net position	
Contributions - employer	$ 113,742
Contributions - members	103,947
Net investment income	86,065
Benefit payments, including refunds of participant contributions	(39,926)
Administrative expenses	(898)
Other	(74)
Net change in plan fiduciary net position	262,856
Plan fiduciary net position - beginning	1,503,828
Plan fiduciary net position - ending (b)	$ 1,766,684
Fund's net pension liability - ending (a) - (b)	$ 548,457
Plan fiduciary net position as a percentage of the total pension liability	76.31%
Covered employee payroll	$ 1,484,954
Fund's net position as a percentage of covered employee payroll	36.93%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Lucas, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2015

		12/31/2014 [1]
Actuarially determined employer contributions	$	770,437
Contributions in relation to the actuarially determined contribution	$	770,437
Contribution deficiency (excess)	$	-
Annual covered employee payroll	$	1,484,954
Employer contributions as a percentage of covered employee payroll		7.85%

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	There were no benefit changes during the year.

City of Lucas, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
For the Year Ended September 30, 2015

		2014 [1]
Total pension liability		
Service cost	$	8,517
Interest		37,519
Changes in benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		-
Benefit payments, including refunds of participant contributions		(19,424)
Net change in total pension liability		26,612
Total pension liability - beginning	$	485,311
Total pension liability - ending (a)	$	511,923
Plan fiduciary net position		
Contributions - employer	$	19,463
Contributions - state		7,131
Net investment income		55,493
Benefit payments, including refunds of participant contributions		(19,424)
Administrative expenses		(772)
Other		-
Net change in plan fiduciary net position		61,891
Plan fiduciary net position - beginning		365,352
Plan fiduciary net position - ending (b)	$	427,243
Fund's net pension liability - ending (a) - (b)	$	84,680
Plan fiduciary net position as a percentage of the total pension liability		83.46%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

OTHER SUPPLEMENTARY INFORMATION

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	$ 618,710	$ 644,108	$ 683,486	$ 39,378
Investment income	502	200	393	193
Total Revenues	619,212	644,308	683,879	39,571
Expenditures				
Debt service				
Principal	390,000	390,000	390,000	-
Interest	218,811	218,811	218,811	-
Total Expenditures	608,811	608,811	608,811	-
Other Financing Sources (Uses)				
Transfers in	-	-	93,027	93,027
Total Other Financing Sources	-	-	93,027	93,027
Net Change in Fund Balance	$ 10,401	$ 35,497	168,095	$ 132,598
Beginning fund balance			391,905	
Ending Fund Balance			$ 560,000	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL IMPROVEMENT FUND

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental revenue	$ 324,000	$ 141,000	$ 141,000	$ -
Interest income	6,650	6,000	12,455	6,455
Total Revenues	330,650	147,000	153,455	6,455
Expenditures				
Capital outlay	6,164,705	3,646,017	2,755,146	890,871
Debt service:				
Bond issuance costs	-	-	85,771	(85,771)
Total Expenditures	6,164,705	3,646,017	2,840,917	805,100
Other Financing Sources (Uses)				
Transfers in	-	-	696,505	696,505
Bonds issued	-	2,000,000	2,000,000	-
Premium on bonds issued	-	-	85,771	85,771
Total Other Financing Sources (Uses)	-	2,000,000	2,782,276	782,276
Net Change in Fund Balance	$ 330,650	$ (1,499,017)	94,814	$ 1,593,831
Beginning fund balance			3,480,905	
Ending Fund Balance			$ 3,575,719	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LUCAS FIRE DISTRICT

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax	$ 275,000	$ 206,000	$ 255,801	$ 49,801
Total Revenues	275,000	206,000	255,801	49,801
Other Financing Sources (Uses)				
Transfers (out)	(245,726)	(205,726)	(205,726)	-
Total Other Financing Sources (Uses)	(245,726)	(205,726)	(205,726)	-
Net Change in Fund Balance	$ 29,274	$ 274	50,075	$ 49,801
Beginning fund balance			-	
Ending Fund Balance			$ 50,075	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents **Page**

Financial Trends 92

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 103

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity 110

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 115

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 117

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Lucas, Texas

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009
Governmental Activities				
Net investment in capital assets	$ 1,121,565	$ 1,481,729	$ 2,611,818	$ 4,308,459
Restricted	132,088	177,421	3,204,311	495,249
Unrestricted	1,227,597	4,337,470	2,711,342	4,276,542
Total Governmental Activities Net Position	$ 2,481,250	$ 5,996,620	$ 8,527,471	$ 9,080,250
Business-type Activities				
Net investment in capital assets	$ 1,708,194	$ 1,994,986	$ 4,895,746	$ 5,327,139
Restricted	-	-	-	526,921
Unrestricted	5,535,349	3,141,792	4,428,199	4,518,161
Total Business-type Activities Net Position	$ 7,243,543	$ 5,136,778	$ 9,323,945	$ 10,372,221
Primary Government				
Net investment in capital assets	$ 2,829,759	$ 3,476,715	$ 7,507,564	$ 9,635,598
Restricted	132,088	177,421	3,204,311	1,022,170
Unrestricted	6,762,946	7,479,262	7,139,541	8,794,703
Total Primary Government Net Position	$ 9,724,793	$ 11,133,398	$ 17,851,416	$ 19,452,471

2010	2011	2012	2013	2014	2015
$ 5,429,217	$ 6,946,186	$ 7,912,596	$ 9,735,155	$ 11,217,229	$ 15,687,778
500,694	427,803	1,034,404	1,441,795	2,535,158	5,101,359
3,097,616	2,819,545	3,785,982	5,097,482	5,024,220	2,192,736
$ 9,027,527	$ 10,193,534	$ 12,732,982	$ 16,274,432	$ 18,776,607	$ 22,981,873
$ 6,871,815	$ 7,954,921	$ 9,724,745	$ 11,450,187	$ 13,112,606	$ 13,793,927
370,000	300,000	320,000	350,000	382,027	365,000
4,447,405	4,259,481	4,263,267	4,265,404	3,752,393	4,824,325
$ 11,689,220	$ 12,514,402	$ 14,308,012	$ 16,065,591	$ 17,247,026	$ 18,983,252
$ 12,301,032	$ 14,901,107	$ 17,637,341	$ 21,185,342	$ 24,329,835	$ 29,481,705
870,694	727,803	1,354,404	1,791,795	2,917,185	5,466,359
7,545,021	7,079,026	8,049,249	9,362,886	8,776,613	7,017,061
$ 20,716,747	$ 22,707,936	$ 27,040,994	$ 32,340,023	$ 36,023,633	$ 41,965,125

City of Lucas, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	$ 657,256	$ 527,758	$ 539,061	$ 503,433
Public safety	379,159	565,227	448,930	518,869
Public works	599,392	365,295	474,705	587,841
Development services	-	-	308,474	144,485
Parks and recreation	79,525	70,927	64,339	67,630
Community development	244,403	240,312	259,180	290,328
Interest and fiscal charges	148,669	145,751	216,839	217,022
Total governmental activities	2,108,404	1,915,270	2,311,528	2,329,608
Business-type activities:				
Utility fund	1,297,183	1,483,115	1,633,259	1,704,106
Total business-type activities	1,297,183	1,483,115	1,633,259	1,704,106
Total primary government	$ 3,405,587	$ 3,398,385	$ 3,944,787	$ 4,033,714
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 338,797	$ 335,760	$ -	$ -
Public safety	63,140	81,023	53,003	27,762
Public works	-	88,450	74,700	262,503
Development services	-	-	354,009	-
Parks and recreation	-	-	-	-
Trash service	256,989	283,755	298,515	336,374
Capital grants and contributions	-	-	-	-
Operating grants and contributions	36,932	104,974	88,260	-
Total governmental activities	695,858	893,962	868,487	626,639
Business-type activities:				
Charges for services:				
Water and sewer	2,305,232	1,464,900	2,229,136	2,205,460
Capital grants and contributions	-	-	-	-
Total business-type activities	2,305,232	1,464,900	2,229,136	2,205,460
Total primary government	$ 3,001,090	$ 2,358,862	$ 3,097,623	$ 2,832,099
Net (Expense)/Revenue				
Governmental activities	$ (1,412,546)	$ (1,021,308)	$ (1,443,041)	$ (1,702,969)
Business-type activities	1,008,049	(18,215)	595,877	501,354
Total primary government	$ (404,497)	$ (1,039,523)	$ (847,164)	$ (1,201,615)

2010	2011	2012	2013	2014	2015
$ 583,494	$ 684,352	$ 626,484	$ 715,216	$ 840,998	$ 934,322
615,541	653,625	775,050	889,680	1,469,546	1,522,999
581,006	605,274	609,532	1,029,582	867,243	1,091,137
225,401	289,492	293,418	273,707	257,331	352,718
79,458	87,811	111,766	137,616	132,379	78,233
302,779	-	-	-	-	-
175,627	184,707	256,685	244,060	232,858	331,834
2,563,306	2,505,261	2,672,935	3,289,861	3,800,355	4,311,243
1,734,592	2,352,455	2,530,479	2,969,977	2,891,141	3,237,288
1,734,592	2,352,455	2,530,479	2,969,977	2,891,141	3,237,288
$ 4,297,898	$ 4,857,716	$ 5,203,414	$ 6,259,838	$ 6,691,496	$ 7,548,531
$ -	$ 1,804	$ 9,015	$ 10,351	$ 2,501	$ -
72,689	137,312	176,777	184,020	252,949	327,745
333,596	103,551	652,830	319,402	74,050	335,163
-	377,558	539,593	545,526	553,264	707,807
-	9,000	10,000	67,000	15,000	-
335,846	-	-	-	-	-
19,860	218,510	946,567	2,297,740	1,804,078	196,000
-	-	-	-	-	2,470,277
761,991	847,735	2,334,782	3,424,039	2,701,842	4,036,992
2,085,458	3,427,231	3,025,171	3,608,367	3,832,078	3,879,602
-	-	1,350,014	1,300,659	512,011	1,299,604
2,085,458	3,427,231	4,375,185	4,909,026	4,344,089	5,179,206
$ 2,847,449	$ 4,274,966	$ 6,709,967	$ 8,333,065	$ 7,045,931	$ 9,216,198
$ (1,801,315)	$ (1,657,526)	$ (338,153)	$ 134,178	$ (1,098,513)	$ (274,251)
350,866	1,074,776	1,844,706	1,939,049	1,452,948	1,941,918
$ (1,450,449)	$ (582,750)	$ 1,506,553	$ 2,073,227	$ 354,435	$ 1,667,667

City of Lucas, Texas

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	$ 1,398,075	$ 1,572,181	$ 1,736,812	$ 1,939,859
Sales tax	138,116	162,591	158,380	160,314
Franchise tax	169,711	182,080	204,310	220,729
Investment earnings	115,403	306,599	258,007	100,960
Other income	75,993	64,764	58,370	53,842
Intergovernmental	-	-	-	203,682
Transfers, net	-	2,248,643	(1,056,888)	(424,647)
Total governmental activities	1,897,298	4,536,858	1,358,991	2,254,739
Business-type activities:				
Investment earnings	128,284	160,093	119,102	29,359
Other income	-	-	-	150
Transfers, net	-	(2,248,643)	1,056,888	424,647
Total business-type activities	128,284	(2,088,550)	1,175,990	454,156
Total primary government	$ 2,025,582	$ 2,448,308	$ 2,534,981	$ 2,708,895
Change in Net Position				
Governmental activities	$ 484,752	$ 3,515,550	$ (84,050)	$ 551,770
Business-type activities	1,136,333	(2,106,765)	1,771,867	955,510
Total primary government	$ 1,621,085	$ 1,408,785	$ 1,687,817	$ 1,507,280

2010	2011	2012	2013	2014	2015
$ 2,004,665	$ 2,053,573	$ 2,095,821	$ 2,292,931	$ 2,430,447	$ 2,500,042
157,918	186,642	178,331	587,259	814,033	1,513,762
258,522	244,161	258,112	258,356	319,026	
50,305	30,079	19,009	15,682	18,681	25,026
57,418	53,362	44,897	64,773	122,164	120,443
164,739	-	-	-	-	
(970,175)	255,716	166,229	188,271	275,834	320,244
1,723,392	2,823,533	2,762,399	3,407,272	3,980,185	4,479,517
4,555	6,122	9,175	6,300	4,321	3,342
-	-	565	500	-	111,210
970,175	(255,716)	(166,229)	(188,271)	(275,834)	(320,244)
974,730	(249,594)	(156,489)	(181,471)	(271,513)	(205,692)
$ 2,698,122	$ 2,573,939	$ 2,605,910	$ 3,225,801	$ 3,708,672	$ 4,273,825
$ (77,923)	$ 1,166,007	$ 2,424,246	$ 3,541,450	$ 2,881,672	$ 4,205,266
1,325,596	825,182	1,688,217	1,757,578	1,181,435	1,736,226
$ 1,247,673	$ 1,991,189	$ 4,112,463	$ 5,299,028	$ 4,063,107	$ 5,941,492

City of Lucas, Texas

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2006	2007	2008	2009
General fund:				
Restricted				
Impact fees	$ -	$ -	$ -	$ 75,309
Municipal court	-	-	-	5,010
Cable fees	-	-	-	-
Unassigned	815,093	2,030,773	2,694,193	2,199,402
Total general fund	$ 815,093	$ 2,030,773	$ 2,694,193	$ 2,279,721
All other governmental funds:				
Restricted for:				
Debt service	$ 132,088	$ 177,421	$ 232,477	$ 412,749
Special revenue funds	-	-	-	-
Capital improvement funds	-	4,505,477	2,971,834	2,206,278
Total all other governmental funds	$ 132,088	$ 4,682,898	$ 3,204,311	$ 2,619,027

2010	2011	2012	2013	2014	2015
$ 1,500	$ 99,050	$ 649,220	$ 828,316	$ 770,508	$ 867,279
10,287	3,753	23,291	28,624	35,473	45,612
-	-	1,893	4,608	8,256	12,773
2,429,724	3,179,629	3,822,755	5,140,955	5,867,875	6,203,973
$ 2,441,511	$ 3,282,432	$ 4,497,159	$ 6,002,503	$ 6,682,112	$ 7,129,637
$ 488,907	$ 326,368	$ 359,900	$ 379,905	$ 391,905	$ 560,000
-	-	-	-	-	50,075
832,435	4,048,401	3,279,282	2,983,071	3,480,905	3,575,719
$ 1,321,342	$ 4,374,769	$ 3,639,182	$ 3,362,976	$ 3,872,810	$ 4,185,794

City of Lucas, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2006	2007	2008	2009
Revenues				
Property taxes	$ 1,361,727	$ 1,599,525	$ 1,731,793	$ 1,933,243
Sales tax	138,116	162,591	158,380	160,314
Franchise taxes	169,711	182,080	204,310	220,729
Fines and forfeitures	18,398	24,008	16,126	10,026
Licenses and permits	299,685	318,842	272,607	181,306
Fire service agreements	44,742	57,015	36,877	23,624
Charges for service	39,112	16,918	81,402	-
Trash service	256,989	283,755	298,515	336,374
Grants	-	97,985	8,260	-
Donations	36,932	6,809	80,000	3,250
Impact fees	-	88,450	74,700	75,309
Intergovernmental	-	-	-	203,682
Interest income	115,403	306,599	258,007	100,960
Other revenue	75,993	64,764	58,370	50,592
Total Revenues	2,556,808	3,209,341	3,279,347	3,299,409
Expenditures				
General government	460,396	524,140	532,478	456,189
Public works	599,392	420,241	268,793	362,622
Parks and recreation	71,140	60,295	56,218	62,083
Public safety	379,159	495,246	477,471	432,947
Development services	-	-	308,474	144,485
Trash services	244,403	240,312	259,180	290,327
Debt service				
Principal	333,671	394,983	277,500	475,240
Interest	163,342	144,638	226,396	198,384
Bond issuance costs	-	-	-	-
Capital outlay	1,098,825	315,816	631,116	1,540,886
Total Expenditures	3,350,328	2,595,671	3,037,626	3,963,163
enues Over (Under) Expenditures	(793,520)	613,670	241,721	(663,754)
Other Financing Sources (Uses)				
Transfers in (out)	-	2,248,643	(1,056,888)	(424,647)
Debt issued	-	2,500,000	-	-
Premium on bonds issued	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources	-	4,748,643	(1,056,888)	(424,647)
Net Change in Fund Balances	$ (793,520)	$ 5,362,313	$ (815,167)	$ (1,088,401)
Ratio of total debt service expenditures to noncapital	22%	24%	21%	28%

2010	2011	2012	2013	2014	2015
$ 2,004,665	$ 2,020,469	$ 2,096,519	$ 2,303,432	$ 2,430,447	$ 2,492,526
157,918	186,642	178,331	587,259	814,033	1,180,171
256,522	244,161	258,112	258,356	319,026	333,591
18,608	53,010	108,610	104,539	91,059	137,842
262,463	369,573	482,755	467,719	483,163	571,932
68,143	101,493	135,021	157,389	231,991	325,778
-	-	-	-	-	-
335,846	-	-	-	-	-
19,860	218,510	9,667	1,000	-	-
-	-	-	-	101,400	55,000
57,070	103,550	652,830	386,402	89,050	335,163
164,739	1,599	135,000	640,000	1,000,000	141,000
50,305	39,497	19,009	15,682	18,681	25,026
57,418	53,362	44,897	64,773	122,164	120,443
3,453,557	3,391,866	4,120,751	4,986,551	5,701,014	5,718,472
507,566	595,706	586,357	671,248	770,722	817,532
339,221	311,002	270,836	614,999	416,843	548,519
71,479	110,394	123,301	134,866	129,207	78,233
527,795	540,536	84,788	748,936	1,282,562	1,412,056
221,931	285,706	570,860	264,989	248,613	328,126
302,779	-	279,787	-	-	-
425,000	485,000	325,000	360,000	439,703	444,367
178,791	158,778	278,158	246,242	235,196	227,132
-	81,746	-	-	-	85,771
1,046,718	754,566	1,297,754	914,655	1,612,063	3,422,242
3,621,280	3,323,434	3,816,841	3,955,935	5,134,909	7,363,978
(167,723)	68,432	303,910	1,030,616	566,105	(1,645,506)
(970,174)	255,716	166,229	188,271	275,833	320,244
-	3,500,000	-	-	345,000	2,000,000
-	70,200	-	-	-	85,771
-	-	9,000	10,250	2,501	-
(970,174)	3,825,916	175,229	198,521	623,334	2,406,015
$ (1,137,897)	$ 3,894,348	$ 479,139	$ 1,229,137	$ 1,189,439	$ 760,509
23%	28%	24%	20%	19%	19%

Lucas

City of Lucas, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2006	$ 439,477,820	$ 19,809,770	$ 99,192,210	$ 360,095,380	0.37660
2007	503,792,929	23,554,190	114,558,686	412,788,433	0.37500
2008	551,603,993	24,356,690	122,054,413	453,906,270	0.37500
2009	620,467,247	29,502,376	141,084,260	508,885,363	0.37418
2010	646,621,342	33,135,759	141,718,774	538,038,327	0.37418
2011	672,582,013	31,426,610	151,689,649	552,318,974	0.37418
2012	691,413,029	26,934,184	151,303,804	567,043,409	0.37418
2013	716,326,368	37,240,949	163,960,310	589,607,007	0.37418
2014	790,398,481	49,743,972	176,470,025	663,672,428	0.35562
2015	901,321,744	69,309,682	201,710,713	768,920,713	0.32066

Note: Tax rates per $100 of assessed valuation.
Source: Collin County Appraisal District

City of Lucas, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	2006	2007	2008	2009
Direct Rates:				
City of Lucas - Operating	0.24351	0.24815	0.24426	0.25051
City of Lucas - Debt Service	0.13309	0.12685	0.13074	0.12367
Total Direct Rate	0.37660	0.37500	0.37500	0.37418
Overlapping Rates:				
Lovejoy Independent School District	1.82340	1.69340	1.47630	1.51500
Allen Independent School District	1.91246	1.77510	1.47030	1.47030
McKinney Independent School District	2.00000	1.84100	1.51700	1.51700
Plano Independent School District	1.73340	1.57840	1.26840	1.30340
Princeton Independent School District	1.74776	1.59140	1.36870	1.49000
Wylie Independent School District	1.81700	1.70250	1.39000	1.51000
Collin County	0.25000	0.24500	0.24500	0.24250
Collin County Community College	0.08942	0.08768	0.08698	0.08649

Tax rates per $100 of assessed valuation.
Source: Collin County Central Appraisal Districts and City records.

2010	2011	2012	2013	2014	2015
0.25204	0.24723	0.25772	0.26122	0.25401	0.23307
0.12214	0.12695	0.11645	0.11296	0.10161	0.08759
0.37418	0.37418	0.37418	0.37418	0.35562	0.32066
1.53500	1.53500	1.53500	1.53500	1.53500	1.56000
1.54000	1.54000	1.67000	1.67000	1.67000	1.64000
1.54000	1.52800	1.54000	1.54000	1.67000	1.67000
1.32840	1.35340	1.37340	1.37340	1.45300	1.44800
1.49000	1.49000	1.47360	1.48000	1.51000	1.62000
1.59000	1.64000	1.64000	1.64000	1.64000	1.64000
0.24250	0.24000	0.24000	0.24000	0.23750	0.23500
0.08630	0.08630	0.08630	0.08630	0.08364	0.08196

Lucas

City of Lucas, Texas

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

	2015			2006		
Property Tax Payer	**Taxable Assessed Value**	**Rank**	**% of Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**% of Taxable Assessed Value**
Wal-mart Real Estate	$ 15,718,115	1	2.04%	$ -		-
Wal-mart Stores	10,377,346	2	1.35%	-		-
D R Horton - Texas LTD	8,003,940	3	1.04%	-		-
M. Christopher Homes	2,928,534	4	0.38%	-		-
M. Christopher Investments	2,794,831	5	0.36%	-		-
Lucas Real Estate LLC	1,902,859	6	0.25%	-		-
Paul Taylor Homes Limited	1,860,233	7	0.24%	-		-
Scarborough Forest Ridge	1,814,400	8	0.24%	-		-
Bank of America NA	1,626,397	9	0.21%	-		-
Russell Jackson	1,295,520	10	0.17%	-		-
Wolf Creek Lucas Investors LP	-	n/a	-	1,149,000	1	0.15%
Weekly Homes LP	-	n/a	-	1,134,796	2	0.15%
Shipley Venture IV LTD	-	n/a	-	1,099,201	3	0.14%
Classic Century Homes LTD	-	n/a	-	1,055,672	4	0.14%
Barnett Dorothy	-	n/a	-	1,039,444	5	0.14%
Zadorozny Daniel Etux Diane	-	na	-	946,679	6	0.12%
Hawthorne Daniel & Manjote	-	n/a	-	898,431	7	0.12%
Dowell Dan G & Sheryl L	-	n/a	-	809,945	8	0.11%
Rehring William Joseph	-	n/a	-	779,874	9	0.10%
Glover Edward IV & Bonnie	-	n/a	-	777,248	10	0.10%
Total	$ 48,322,175		6.28%	$ 9,690,290		2.69%
Total Assessed Valuation	$ 768,920,713		100%	$ 360,095,380		100%

Source: Tax Office.

Note: Property is assessed as of January 1 and certified to the City by July 25 for taxable values.

City of Lucas, Texas

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	2006	2007	2008	2009
Tax levy	$ 1,352,551	$ 1,592,519	$ 1,721,972	$ 1,903,518
Current tax collected	$ 1,337,594	$ 1,543,070	$ 1,700,854	$ 1,880,257
Percent of current tax collections	98.89%	96.89%	98.77%	98.78%
Delinquent tax collections	$ 11,335	$ 43,704	$ 15,435	$ 20,808
Total tax collections	$ 1,348,929	$ 1,586,774	$ 1,716,289	$ 1,901,065
Total collections as a percentage of levy	100%	100%	100%	100%

Source: Dallas and Collin County reports.

2010	2011	2012	2013	2014	2015
$ 1,985,447	$ 2,027,004	$ 2,096,021	$ 2,217,506	$ 2,466,765	$ 2,468,541
$ 1,968,139	$ 2,011,207	$ 2,076,932	$ 2,167,874	$ 2,321,282	$ 2,432,502
99.13%	99.22%	99.09%	97.76%	94.1%	98.5%
$ 17,056	$ 5,451	$ 10,194	$ 48,544	$ 145,483	$ -
$ 1,985,195	$ 2,016,658	$ 2,087,126	$ 2,216,418	$ 2,466,765	$ 2,432,502
100%	99%	99.6%	100.0%	100%	98.5%

City of Lucas, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	2006	2007	2008	2009
Governmental activities:				
General Obligation Bonds	$ -	$ -	$ -	$ 1,745,000
Certificates of Obligation	$ 3,005,000	$ 5,150,000	$ 4,872,500	$ 2,790,000
Other obligations	-	-	-	-
Business-type activities:				
General Obligation Bonds	$ -	$ -	$ -	$ 1,360,000
Certificates of Obligation	2,345,000	4,575,000	4,297,500	2,735,000
Revenue Bonds	402,000	365,000	327,000	-
Total primary government	$ 5,752,000	10,090,000	9,497,000	8,630,000
Percentage of personal income (1)	3.84%	6.30%	5.15%	3.45%
Per capita (1)	$ 759	$ 1,171	$ 1,058	$ 1,092

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) Personal income and population data is disclosed on page 108.

2010	2011	2012	2013	2014	2015
$ 1,653,605	$ 1,651,005	$ 1,648,404	$ 1,645,804	$ 1,643,204	$ 36,575,000
$ 2,375,000	$ 5,433,250	$ 5,116,500	$ 4,764,750	$ 4,393,000	$ 470,000
-	-	-	-		
$ 1,241,605	$ 1,186,913	$ 1,127,222	$ 1,067,531	$ 1,002,839	$ -
2,430,000	4,391,375	4,155,250	3,899,125	3,618,000	935,000
-	-	-	-	-	-
7,700,210	12,662,543	12,047,376	11,377,210	10,657,043	37,980,000
3.07%	5.46%	4.35%	3.61%	2.89%	9.92%
$ 976	$ 1,555	$ 1,401	$ 1,219	$ 1,061	$ 5,448

City of Lucas, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2006	2007	2008	2009
NET TAXABLE ASSESSED VALUE				
All property	$ 360,095,380	$ 412,788,433	$ 453,906,270	$ 508,885,363
NET BONDED DEBT (1)				
Gross bonded debt	3,005,000	5,150,000	4,872,500	5,895,000
Less debt service funds	(132,088)	(177,421)	(232,477)	(412,748)
Net Bonded Debt	$ 2,872,912	$ 4,972,579	$ 4,640,023	$ 5,482,252
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	0.80%	1.20%	1.02%	1.08%
POPULATION	4,491	4,710	4,914	5,397
NET BONDED DEBT PER CAPITA	$ 640	$ 1,056	$ 944	$ 1,016

Note: Details regarding the City's oustanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt of both governmental and business-type activities.

2010	2011	2012	2013	2014	2015
$ 538,038,327	$ 552,318,974	$ 567,043,409	$ 589,607,007	$ 663,672,428	$ 768,920,713
5,270,210	8,271,168	7,892,126	7,478,085	7,039,043	37,045,000
(488,907)	(326,369)	(359,900)	(380,000)	(391,905)	-
$ 4,781,303	$ 7,944,799	$ 7,532,226	$ 7,098,085	$ 6,647,138	$ 37,045,000
0.89%	1.44%	1.33%	1.20%	1.00%	4.82%
5,400	5,320	5,635	5,949	6,636	6,800
$ 885	$ 1,493	$ 1,337	$ 1,193	$ 1,002	5,448

City of Lucas, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2015

Governmental Unit	Gross Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Allen ISD	$ 471,368,037	0.90%	$ 4,242,312
Collin County	402,795,000	0.87%	3,504,317
Collin County Community College District	31,600,000	0.85%	268,600
Lovejoy ISD	161,697,131	35.28%	57,046,748
McKinney ISD	485,660,000	0.47%	2,282,602
Plano ISD	852,635,313	0.11%	937,899
Princeton ISD	102,277,732	0.16%	163,644
Wylie ISD	307,599,292	0.27%	830,518
Subtotal, overlapping debt			69,276,640
City direct debt			37,045,000
Total direct and overlapping debt			$ 106,321,640

Sources: Taxing Entities and City, Dallas Central Appraisal District, and the Collin County Appraisal District.

City of Lucas, Texas

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Year	Estimated Population	Personal Income	Per Capita Personal Income	Average Age	School Enrollment	Unemployment Rate
2006	4,491	149,855,688	33,368	39	1,122	4.0%
2007	4,710	160,234,200	34,020	41	1,316	3.5%
2008	4,914	184,466,646	37,539	39	1,254	2.3%
2009	5,397	250,377,624	46,392	41	1,356	3.9%
2010	5,400	250,776,000	46,440	40	1,434	7.2%
2011	5,320	232,026,480	43,614	39	1,499	7.0%
2012	5,635	277,208,190	49,194	41	1,485	6.0%
2013	6,135	315,081,330	51,358	41	1,506	5.7%
2014	6,636	368,662,980	55,555	40	1,517	5.0%
2015	6,800	382,948,800	56,316	41	1,932	3.0%

Sources: Estimated population provided by the City of Lucas.
Per Capita Income provided by North Central Texas Council of Governments.
Enrollment information provided by Lovejoy Independent School District.
Unemployment information provided by the Texas Workforce Commission.

Lucas

City of Lucas, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government and adminstration	7	8	8	8	10	10	10	10	11	12
Municipal court	1	1	1	1	1	1	1	1.5	1	-
Police	-	-	-	-	-	-	-	-	-	-
Fire	1	1	1	2	1	1	1	2	8	8
Public works	6	7	8	8	6	6	6	6	6	5
Water & sewer system	3	3	4	4	4	4	4	4	2.5	3
Total	18	20	22	23	22	22	22	23.5	28.5	28

Sources: Various City departments.

City of Lucas, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009
Public safety				
Municipal court				
Number of cases filed	109	123	133	2
Fire/EMS				
Number of calls answered	348	310	357	402
Public works				
Streets maintained (miles)	140	155	170	190
Development services				
Building permits	207	380	371	303
Water and sewer				
New connections	298	298	277	215
Annual gallons pumped (thousands)	400,000	294,000	428,000	420,080
Miles of water mains maintained	40	41 #	42	42

Sources: Various City departments.

2010	2011	2012	2013	2014	2015
72	400	333	260	30	4
311	352	388	403	499	502
210	230	245	263	267	280
308	443	527	578	639	660
298	306	300	323	259	200
420,805	587,816	517,953	567,325	458,360	499,963
42	42	42	45	48	53

City of Lucas, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	2006	2007	2008	2009
Public safety				
Fire stations	1	1	1	1
Public works				
Streets-paved	37	38	39	39
Parks	2	2	2	2
Parks (acres)	7	7	7	7
Water and sewer				
Water mains (miles)	40.0	41.0	41.5	42.0
Storm mains (miles)	n/a	n/a	n/a	n/a
Storm drainage (miles)	2.3	2.3	2.4	2.5

Sources: Various City departments.

2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
39	39	39	45	48	53
3	3	3	3	3	3
11	11	11	11	11	11
42.0	42.0	42.0	45.0	48.5	50.9
n/a	n/a	2.0	3.0	3.0	3.0
2.5	2.5	2.5	2.5	2.5	2.5

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